

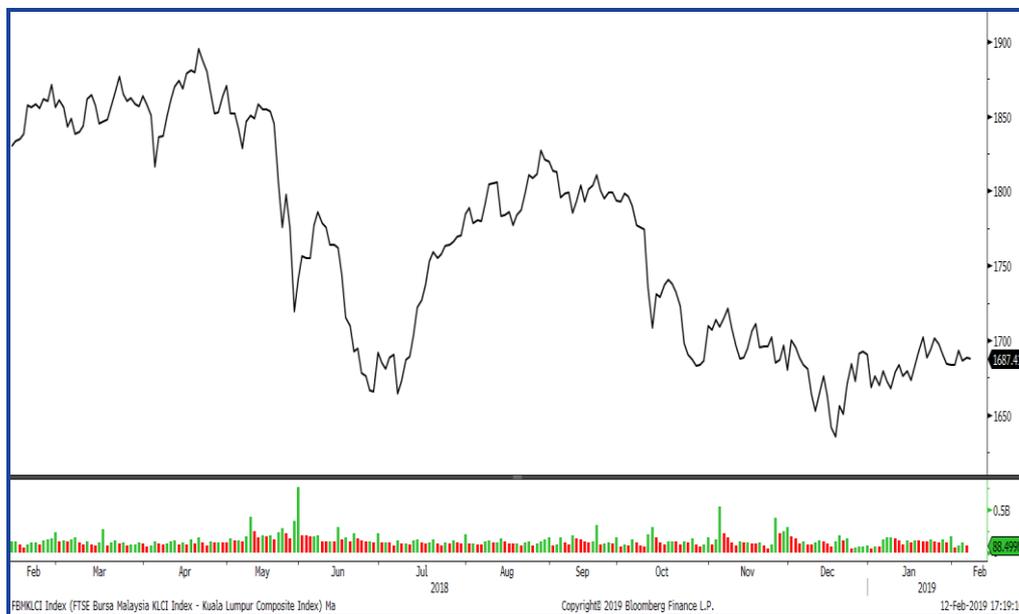
Market Pulse

Wednesday, 13 Feb, 2019

M+Online
Equipping Traders For The Win

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FBM KLCI – Daily



Market Scorecard

	Close 12-Feb-19	Change %
FBM KLCI	1,687.41	-0.07
52-W High	1,896.03	
52-W Low	1,626.93	
FBM EMAS	11,727.75	-0.01
FBM 100	11,595.64	-0.03
FBM Fledgling	15,065.90	0.34
FBM Small Cap	12,534.63	0.50
FBM ACE	4,616.49	0.72
FBM Shariah	11,581.44	0.05
Volume (mln)	2,697.13	4.71
Value (RM mln)	1,959.54	17.75

Market Participation	%	Net (RM mln)
Institution	46.6	-52
Retail	25.7	45
Foreign	27.7	7

Positive U.S.-China Trade Talks To Buoy Market

- The FBM KLCI gave up its recent gains and slipped into the red yesterday, despite rotational plays continuing among the lower liners. Consequently, the lower liners remained strong as the earnings season gets underway, while the broader market closed mixed.
- Market breadth remained positive as gainers edged the decliners on a ratio of 425-to-406 stocks. Traded volumes also grew 4.7% to 2.70 bln shares on buying-interest in O&G-linked counters.
- Press Metal closed 15.0 sen lower – on concerns over rising raw materials costs. Other notable Main Board losers were IHH Healthcare (-13.0 sen), Petronas Chemicals (-13.0 sen), Public Bank (-12.0 sen) and Tenaga Nasional (-6.0 sen). Among the broader market decliners were Eastern and Oriental (-24.0 sen), which took a beating after its recent cash call, alongside Heineken Malaysia (-30.0 sen), BAT (-26.0 sen), Ajinomoto (-12.0 sen) and Chemical Company of Malaysia (-12.0 sen).
- Broader market chartoppers, meanwhile include consumer products bellwethers like Fraser & Neave (+RM1.22) and Dutch Lady (+28.0 sen), followed by Batu Kawan (+60.0 sen), United Plantations (+30.0 sen) and Hengyuan Refining (+19.0 sen). Top key-index advancers on Tuesday were Kuala Lumpur Kepong (+30.0 sen), Axiata (+11.0 sen), IOI Corporation (+9.0 sen), Hong Leong Financial Group (+8.0 sen), Malaysia Airports (+6.0 sen) and CIMB Bank (+6.0 sen).
- Key regional benchmark bourses rallied on the back of the slightly positive mood in global equities overnight and stronger energy prices. The Nikkei jumped 2.6%, lifted by gains in Information Technology and Industrials sectors. The Shanghai Composite also added 0.7%, while the

Futures		
FKLI Spot	1,686.50	0.00
FKLI Forward	1,682.00	0.06

Foreign		
Dow Jones	25,425.76	1.49
S&P 500	2,744.73	1.29
NASDAQ	7,414.62	1.46
FTSE 100	7,133.14	0.06
DAX	11,126.08	1.01
CAC 40	5,056.35	0.84
FTSE STI	3,201.15	-0.16
Shanghai Composite	2,671.89	0.68
Hang Seng Index	28,171.33	0.10
Nikkei 225	20,864.21	2.61

Commodities		
WTI Crude Oil (USD)	53.50	0.75
Brent Spot (USD)	62.42	1.48
Gold (USD)	1,310.22	-0.04
CPO (RM)	2,254.00	-0.53

Currency		
USD	4.0675	0.23
GBP	5.2430	-0.07
EURO	4.6085	-0.30
SGD	2.9983	0.07
YEN	27.1730	-0.18

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Hang Seng Index closed flattish. ASEAN equities also finished mostly higher at Tuesday's close.

- Wall Street – the Dow (+1.5%), the S&P 500 (+1.3%) and Nasdaq (+1.5%) jumped as investors cheered the latest aversion of a partial government shutdown after the President and the Democrats reached a tentative agreement involving the Mexico border-security funding and the positive U.S.- China trade sentiment.
- U.K. equities bucked the general positive sentiment in the European markets as gains were limited by the concerns of a no-deal Brexit and soft earnings results from tour operator TUI. The FTSE (+0.1%) eked out minor gains, after falling from its intraday high, supported by depreciating Pound. Meanwhile, automakers led the extended rally in the CAC (+0.8%) and DAX (+1.0%) after French tire manufacturer Michelin reported stellar quarterly earnings.

THE DAY AHEAD

- With global equities rallying on renewed optimism over the trade negotiations between the U.S. and China, the positivity is expected to spread to Malaysian stocks that will also provide a much needed lift for stocks to head higher.
- While we see stocks on Bursa Malaysia set to head higher, it remains to be seen if there will be a strong upward push as the buying interest on the index linked stocks are still largely indifferent. Therefore, we think that the upsides could still be measured with the 1,700 points level remaining a formidable level to breach. In the interim, we expect the key index to pass the 1,690 with ease with the next resistance set at the 1,693-1,695 levels. The supports are at 1,680 and 1,670 respectively.

- Meanwhile, the lower liners and broader market shares are also expected to sustain their upsides as retail players are still making a beeline to pick up some of the beaten down industry leaders. Therefore, the trading activities will remain heightened and will help to strengthen both market breadth and depth.

COMPANY UPDATE

- **Econpile Holdings Bhd** has bagged a RM209.3 mln contract to undertake basement and substructure works for Phase 2 of the Pavilion Damansara Heights mixed development in Jalan Damanlela, Kuala Lumpur. The overall duration of the contract is targeted for 20 months. The latest award represents the group's third contract won for Phase 2 of Pavilion Damansara Heights project, having earlier secured a RM18.0 mln contract to construct contiguous bored pile walls and a RM122.0 mln job to undertake bored piling works. (The Edge Daily)

Comments

- The new contract brings Econpile's total new wins to RM506.7 mln for FY19, which is higher than the RM473.4 mln recorded in FY18. This has also slightly exceeded our orderbook replenishment assumption of RM500.0 mln for FY19. Moving forward, Econpile's unbilled orderbook of approximately RM1.10 bln will provide earnings visibility over the next two years.
- We raised our earnings forecast for FY19 and FY20 by 4.8% and 5.2% to RM68.3 mln and RM63.9 mln respectively to reflect the stronger-than-expected orderbook replenishment. We also maintain our **BUY** recommendation on Econpile with a higher target price of

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RM0.56 (from RM0.55) by ascribing an unchanged target PER of 11.0x to its revised FY19 EPS of 5.1 sen. The ascribed target PER is in line with its peers with similar market capitalisation.

- **Hartalega Holdings Bhd's** 3QFY19 net profit rose 6.0% Y.o.Y to RM119.8 mln, from RM113.0 mln in 3QFY18, on higher sales volume and ASPs. Revenue also grew 19.9% Y.o.Y to RM723.4 mln, from RM603.1 mln last year. As per usual, the group declared its second interim dividend of 2.2 per share, payable on 28th March 2019.
- Cumulatively, 9MFY19 net profit was 13.0% Y.o.Y higher to RM364.8 mln, compared to RM322.7 mln, in-tandem with stronger sales contribution which saw revenue jumped 19.9% Y.o.Y to RM2.14 bln, from RM1.79 bln a year ago.

Comments

- The reported net profit and revenue were broadly in-line with our forecasts, accounting to 70.2% of our previous full-year forecast net profit of RM520.0 mln, while revenue accounted for 73.1% of our estimated RM2.93 bln.
- We revised our FY19-FY20 estimated net profit by 4.5% and 4.6% respectively, while revenue was reduced slightly to RM2.86 bln (-2.4%) and RM3.46 bln (-1.6%) respectively following some housekeeping on tax assumptions.
- Nevertheless, we maintain our **HOLD** recommendation on Hartalega with an unchanged target price of RM5.60 by ascribing to a higher target PER of 30.0x (from 29.0x) to Hartalega's FY20 EPS of 18.5 sen, given that its share price has fairly reflected the near-to-mid term growth prospects. The change in the target PER is also in-line with the share price recovery among the sector bellwethers.

- Our target PER remains at a premium to Hartalega's competitors premised on: (i) Hartalega's solid position as the global market leader in the nitrile glove segment, (ii) superior operational efficiency in terms of production speed and the lower number of workers per glove output, (iii) consistent and high quality control standards, and (iv) solid fundamentals where it commands the highest net profit margin vs. its peers.

COMPANY BRIEF

- **Frontken Corporation Bhd's** 4Q2018 net profit rose 90.1% Y.o.Y to RM18.7 mln. Revenue for the quarter increased 10.3% Y.o.Y to RM88.7 mln, underpinned by better global semiconductor business and improvement in oil and gas business in Malaysia and Singapore.
- For 2018, cumulative net profit rose 75.0% Y.o.Y to RM52.3 mln. Revenue for the year gained 10.3% Y.o.Y to RM327.2 mln. An interim dividend of 0.8 sen per share was proposed. (The Star Online)
- **Serba Dinamik Holdings Bhd** has secured its first contract in Uzbekistan, expanding the engineering and maintenance services provider's oil and gas business overseas. Serba Dinamik has won contracts in three countries - Uzbekistan, UAE and Qatar worth a combined US\$110.0 mln (RM448.0 mln).
- Separately, the group also announced the award of six separate oil and gas contracts in Malaysia. These contracts have no specific values as the jobs are on a call-out basis whereby the work orders will be awarded at the discretion of the clients based on its activities schedules and rates throughout the duration of the contracts. The new contracts lifted Serba Dinamik orderbook to RM7.50 bln. (The Star Online)

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- **Supermax Corp Bhd**'s 2QFY19 net profit rose 6.2% Y.o.Y to RM38.1 mln, following the commissioning of new replacement lines at its Perak plant and contribution from plants 10 and 11. Revenue for the quarter increased 14.6% Y.o.Y to RM385.1 mln.
- For 1HFY19, cumulative net profit gained 16.1% Y.o.Y to RM74.1 mln. Revenue for the period grew 16.1% Y.o.Y to RM752.2 mln. An interim dividend of 1.5 sen per share, payable on 18th April 2019 was declared. (The Star Online)
- **Kerjaya Prospek Group Bhd** has won an RM280.0 mln contract from **HCK Capital Group Bhd** to build the main building for a property project in Subang Jaya. The 28-month contract, which is targeted to be completed by July 2021, involves a work scope covering the construction of the main building for the proposed project comprising four towers and a three-storey retail unit and office podium. (The Edge Daily)
- **Velesto Energy Bhd** has bagged a US\$38.0 mln contract extension to provide high pressure high temperature (HPHT) jack-up drilling rig and services for North Malay Basin, Malaysia. Velesto will assign one of its rigs, NAGA 8, for this 18-month contract extension, which also comes with an option for further extensions. (The Edge Daily)
- Five former Non-Executive Directors of **FGV Holdings Bhd** have filed a counter claim against the latter yesterday in an RM514.0 mln lawsuit related to breach of fiduciary duties. They are among the 14 former directors and employees of FGV who were sued by the group on 23rd November 2018. (The Edge Daily)
- **Metronic Global Bhd** is consulting its solicitors after the Industrial Court ruled in favour of Eric Boon Chuan Kit, the former financial controller of Metronic Engineering Sdn Bhd, in relation to his unfair dismissal from the company. Metronic has been ordered to pay Boon backwages of RM168,000 less statutory deduction and RM10,000 as compensation in lieu of reinstatement.
- Boon was terminated from his post in July 2017 for allegedly compromising a special audit, disclosing company trade secrets, missing land titles, failure to submit financial monthly and quarterly reports on time, and coming late to the office without valid reason. (The Edge Daily)
- **Atrium Real Estate Investment Trust** (REIT) has entered into a put and call option agreement in relation to an RM180.0 mln land deal announced on November 2018. The agreement with the vendor of the land, Lumileds Malaysia Sdn Bhd, provides for the option to enter into a sale and purchase agreement and leaseback of two pieces of land in Penang for RM50.0 mln.
- Atrium also entered into a second sale and purchase agreement for the acquisition of a lease arrangement in respect of another piece of leasehold land in Penang for RM130.0 mln. Atrium also announced a private placement and a rights issue to finance the property acquisition.
- The private placement, to third party investors to be identified later, is aimed at raising up to RM26.8 mln. It will involve the issuance of up to 24.4 mln new units, representing up to 20.0% of its existing approved fund size of 121.8 mln units. As for the rights issue, Atrium plans to raise RM58.5 mln via the issuance of 58.5 mln right units, on the renounceable basis of two right units-for-every five existing Atrium units held by the entitled unitholders. (The Edge Daily)

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